

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-94-S

IN RE:

Application of Palmetto Wastewater
Reclamation LLC d/b/a Alpine Utilities
for adjustment of rates and charges
for, and the modification of certain
terms and conditions related to the
provision of sewer service.

**SETTLEMENT TESTIMONY OF
FRED W. (RICK) MELCHER, III**

1 **Q. ARE YOU THE SAME RICK MELCHER THAT HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A. Yes, I am.**

4 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS**
5 **PROCEEDING, MR. MELCHER?**

6 **A. The purpose of my settlement testimony is to discuss the settlement agreement between**
7 **Palmetto Wastewater Reclamation LLC, d/b/a Alpine Utilities ("PWR") and the South**
8 **Carolina Office of Regulatory Staff ("ORS"), support its approval by the Commission,**
9 **and address the alternative rate design proposed by Mr. John C. Judy, Jr. on behalf of**
10 **Ashland Associates, the only intervenors in this matter.**

11 **Q. WOULD YOU PLEASE DESCRIBE THE EFFECT OF THE PROPOSED**
12 **SETTLEMENT AGREEMENT UPON MONTHLY SERVICE RATES?**

1 A. Yes. As part of the settlement reached between PWR and ORS, the Company's
2 residential customers would pay \$29.00 per month, mobile homes would pay \$21.76 per
3 month, and commercial customers would pay a minimum of \$29.00 for each single
4 family equivalent per month. Monthly charges for the various types of commercial
5 customers will vary depending upon the number of equivalents they have as determined
6 under Appendix A to Department of Health and Environmental Control ("DHEC")
7 regulation 61-67, which is discussed at length in Mr. Sadler's direct testimony.

8 **Q. DO YOU BELIEVE THE RATES PROVIDED FOR IN THE SETTLEMENT**
9 **AGREEMENT ARE REASONABLE?**

10 A. I do. Although no one likes to see increases in utility rates, the fact of the matter is that
11 PWR has made over three million four hundred thousand dollars worth of investments in
12 the Alpine system since we acquired it in August of 2011. Rate relief is needed to
13 recognize the investments made by PWR, as well as the increases in operating expenses
14 since the last rate filing for the Alpine system in 2008.

15 **Q. HAVE YOU REVIEWED THE PREFILED DIRECT TESTIMONY OF MR.**
16 **JOHN C. JUDY, JR.?**

17 A. Yes, I have.

18 **Q. ARE THE RATES PROPOSED IN THE SETTLEMENT AGREEMENT**
19 **REASONABLE EVEN IN VIEW OF MR. JUDY'S TESTIMONY?**

20 A. Yes, they are.

21 **Q. WOULD YOU PLEASE ELABORATE ON YOUR LAST ANSWER?**

1 A. Certainly. Mr. Judy proposes that sewer rates be based upon water consumption as
2 opposed to a flat rate. His proposal in this regard is problematic for several reasons. I
3 would begin by noting that only where a sewer utility also provides metered water
4 service, or has access to water consumption data from a different water utility serving
5 customer premises, can a sewer utility readily base sewer rates on water consumption.
6 As Mr. Judy's testimony notes, water service to the commercial premises he owns is
7 provided by the City of Columbia. The Company does not have access to the City's
8 water billing records. However, even if the Company did have access to the City's water
9 billing records, Mr. Judy states that he would not want PWR relying upon the water
10 consumption metered by the City of Columbia but instead would want PWR to install a
11 water meter to measure City supplied water flow. In addition to concerns the Company
12 would have about the propriety of our metering another utility's service, this request
13 raises a variety of questions including the means by which a discrepancy between meter
14 readings taken by two different entities would be resolved, which would be a heightened
15 concern for PWR in view of Mr. Judy's apparent mistrust of the City of Columbia's
16 meters or meter readings. Similarly, PWR has questions about who would bear the
17 responsibility for the necessary capital investment to purchase and install a water meter,
18 and expenses associated with meter inspections, maintenance and repair as between the
19 utility and the customers. In other words, it is unclear from Mr. Judy's testimony
20 whether these should be the obligation of the individual customer or spread among the
21 entire customer base. Also, PWR would incur additional expenses associated with meter
22 reading that it does not presently incur, and these would also be passed on to customers

1 through rates. And, Mr. Judy does not state what monthly service rate would result if his
2 alternative rate design were adopted. Finally, the rate design proposed by PWR in this
3 case is consistent with that adopted by the Commission for several other large sewer
4 utilities and is based upon an equivalency rating system that is the product of DHEC's
5 objective analysis of what capacities are required to serve various types of wastewater
6 treatment customers. In light of these facts, I believe that the rate design, and the
7 resulting rates, as proposed in the Settlement Agreement are reasonable and that Mr.
8 Judy's alternative sewer rate design proposal is not. I would also note that, as a result of
9 a sewer equivalency rating system based upon the current DHEC regulation as proposed
10 by PWR, the monthly sewer charge to Ashland Associates, Mr. Judy's company, would
11 increase by only \$58.65 per month under the proposed settlement rate. According to our
12 records, there are some eleven separate commercial rental units in the shopping center
13 that Mr. Judy operates for which Ashland Associates is billed under three separate
14 accounts it has with the Company. This equates to an increase of about \$5.33 per month
15 per rental unit. In view of the undisputed improvements PWR has made to the Alpine
16 system, this could hardly be described as an unreasonable outcome with respect to Mr.
17 Judy's business interests.

18 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

19 **A.** Yes, it does.